

JOZINI LOCAL MUNICIPALITY



FINAL ANNUAL BUDGET 2014/2015-2016/2017

EXECUTIVE SUMMARY FOR THE JOZINI LOCAL MUNICIPALITY FOR THE FINAL ANNUAL BUDGET

The following is the executive summary for the final Medium Term Revenue and Expenditure Framework for as prepared and tabled by the Acting Chief Financial Officer.

1. GLOSSARY

“Adjustment budget”-Prescribed in Section 28 of the MFMA, the formal means by which a municipality may revise its annual budget during the year.

“Allocations”-Money received from Provincial or National government or other Municipalities.

“AFS”-Annual Financial Statements

“Assessment Rates”-Local Government Tax based on the assessed value of property. To determine the rates payable, the assessed rateable value is multiplied by the rate in the rand.

“Budget”-The financial plan of the Municipality

“Budget Related Policy”- policy of a municipality affecting or by the budget, examples include tariff policy, rates policy and credit control policy.

“Capital expenditure”- spending on assets such as land, buildings and machinery. Any capital expenditure must be reflected as an asset on the Municipality's Statement of Financial Performance.

“CRR”- Capital Replacement Reserve- a cash reserve set aside for future capital expenditure.

“Cash Flow Statement”- A statement showing when actual cash will be received and spend by the Municipality. Cash payments do not always coincide with budgeted expenditure timings. For example when an invoice is received by the Municipality it is shown as expenditure in the month it is received , even though it may not be paid in the same period.

“CFO”-Chief Financial Officer.

“DORA”-Division of revenue Act, an annual legislation that shows the total allocations made by National to Provincial and local Government.

“Equitable Share”- A general grant paid to municipalities. It is predominantly targeted to help with free basic service.

“FFC”-Financial and fiscal commission.

“Fruitless and wasteful expenditure”- Expenditure that was made in vain and would have been avoided had reasonable care been exercised.

“GFS”- Government Finance Statistics, an internationally recognized classification system that facilitates for like comparison between municipalities.

“GRAP”: Generally Recognized Accounting Practice. The new standard for municipal accounting and basis upon which AFS are prepared.

“IDP” : Integrated Development Plan, the main strategic planning document of the Municipality.

“MFMA”: The Municipal Finance Management Act- No 53 of 2003, the principle piece of legislation relating to municipal finance management.

“MTREF”-Medium Term Revenue and Expenditure Framework, a medium term financial plan usually 3 years based on a fixed first year and indicative further two years budget allocations and also includes details of the previous three years and current years financial position.

“MPAC”-Municipal Public Accounts Committee.

“NT”: National Treasury

“Net Assets”: Net assets are the residual interest in the assets of the entity after deducting all its liabilities, meaning the net assets of the municipality equates to the net wealth of the Municipality, after all assets were sold/recovered and all liabilities paid. Transactions which do not meet the definition of Revenue or expenses, such as increases in values of Property, Plant and Equipment where there is no inflow or outflow of resources are accounted for in Net Assets.

“Operating Expenditure”: Spending on the day to day expenses of the municipality such as salaries and wages and general expenditures.

“R&M”: Repairs and Maintenance on property, plant and equipment.

“SDBIP”: Service Delivery and Budget Implementation Plan: A detailed plan comprising quarterly performance targets and monthly budget estimates.

“Strategic Objectives”: The main priorities of the municipality as set out in the IDP, budgeted spending must contribute towards the achievement of the strategic objectives.

“SCM”: Supply Chain Management

“Unauthorised Expenditure”: Generally is spending without, or in excess of an approved budget.

“Virement”: A transfer of Budget

“Virement Policy”: The policy that sets out the rules for the budget transfers. Virements are normally allowed within a vote. Transfers between votes must be agreed by Council through an adjustment budget.

“Vote”: One of the main segments into which a budget is divided. In Jozini Municipality this meant at a directorate level

PART 1: ANNUAL BUDGET

SECTION 1: Mayor's Budget Speech

The detailed Mayor's Budget Speech to be included with tabling and approval of the final budget in May 2014.

Madam speaker, Amakhosi present, Councilors, Municipal Manager, HOD's, ladies and gentlemen.

The 2014/15 Budget is presented in a very critical and challenging time of a declining economic performance, stubborn inflation which has exceeded the upper limit of inflation targeting, the twin evils of chronic unemployment and poverty. We are acutely aware that the people that we serve are worst hit by these circumstances as we are in a predominantly rural place. I present this budget as a much needed light to the people under the jurisdiction of Jozini Municipality.

The final budget is a result of an extensive public participation and inputs received from the public.

Total Expenditure for the 2014/15 budget amounts to R201,538,946 . Employee costs will be R48,256,368 which is 35.7% of the operational budget and 24% of the total budget. The increase is a result of the 6.79% increase as proposed by SALGA for employees and 6.2% for councilors since the MEC has not yet pronounced on the increases for councilors as well as creation and filling of critical positions. We also propose to create a new department, the Community and Social Department to ensure speedy , effective and efficient service delivery.

The Capital budget has increased to R70,720,913 from the 2013/14 full year forecast of R46,258,598 . We intend to continue investing in infrastructure and community projects. The funding of our budget is primarily based on National and Provincial funding subsidies Municipal property rates and other income sources as detailed in the budget. There will be an implementation of a new valuation roll with effect from the 1st of July 2014. We intend to improve in generating own revenue through the effective implementation of the new valuation roll . We also trust that our long standing impasse with the Ingonyama Trust Board will be amicably resolved so as to benefit the Municipality in generating its own revenue.

Poverty Alleviation

Madam Speaker we remain committed to empowering the previously disadvantaged and marginalized through community projects. We express our strong intent to empower women and people with disability. Our war against poverty and unemployment is far from over.

LOCAL ECONOMIC DEVELOPMENT

Madam Speaker we strive to effect local economic development through the empowerment local emerging businesses . We have also planned to open a department within the the municipality whose primary focus will be local economic and social development.

The Auditor General

After having received a qualified audit report for two consecutive years, an unqualified audit report which we received in the last financial year is much appreciated. This has shown that we are improving in clean governance. My special thanks go to the leadership, the management and staff for working tirelessly for such an achievement. We remain resolutely determined to get a clean audit in the year 2013/14. The attainment of a clean audit is the responsibility of all Departments within the Municipality although we cannot overemphasize the importance of the Budget and Treasury Office in achieving this much desired audit opinion.

Madam Speaker I would like to thank all the members of the budget steering committee, the Municipal Manager and his team for their commitment and contribution in ensuring that this budget is tabled timeously.

Madam Speaker I hereby present the budget and all other agenda items to the Council so that we can continue to service our people effectively and efficiently.

2. SECTION 2: BUDGET RELATED RESOLUTIONS

- 2.1** Council notes and approves the first draft of the Integrated Development Plan for 2014/15 and condones the process followed in drafting the same.
- 2.2** Council notes and approves the first draft of the Annual Budget for 2014/15 and condones the process followed in drafting the same.
- 2.3** Acting in terms of section 24 of the Municipal Finance Management Act, Council notes and approves the municipal taxes and tariffs to be imposed as taken into account in drafting the Annual Budget for 2014/15 and the multi-year and single-year capital appropriations accompanied by all the budget related policies and condones the process followed in drafting the same. The 2014/15 annual budget is set out in the following tables
- 2.4** Budget Summary as contained in Table A1;
- 2.5** Budgeted Financial Performance (Revenue and expenditure by standard classification as contained in Table A2.
- 2.6** Budgeted Financial Performance (Revenue and expenditure by municipal vote) as contained in Table A3
- 2.7** Budgeted Financial Performance (Revenue by source and expenditure as contained in Table A4; and
- 2.8** Budgeted Capital Expenditure by vote, standard classification and funding source as contained in A5
- 2.9** Multi-and single-year capital appropriations by municipal vote and standard classification and associated funding source as contained in Table A5
- 2.10** The financial position, cash flow budget, cash-backed and reserve/accumulated surplus, asset management and basic service delivery targets are approved as set out in the tables; A6,A7, A8, A9 and A10.
- 2.11** Council notes and approves the first draft of the Organizational Performance Management Framework for 2014/15 and condones the process followed in drafting the same.
- 2.12** Council notes the provisions in the RSA constitution and relevant legislation for community participation and approves for the advertisement of the draft IDP, Budget and OPMS and staging of the consultation forums and meetings to receive inputs for consideration by Council before final approval of the IDP, Annual Budget and OPMS.

3. SECTION 3: EXECUTIVE SUMMARY

3.1 INTRODUCTION

The budget for the financial year 2014/2015 is the 4th budget of the current political administration. The priorities reflected within this budget are aligned fully with the strategy and priorities of the Municipality. Whilst changes in policy and direction cannot simply happen overnight there have been significant shifts in Council thinking whilst maintaining at all times synergy with the Constitutional requirement requirements of Local Government in respect of basic services and within the general dictates of the National treasury guidelines.

The budget continues to fight the malaise and constraint economic conditions continues to find itself in. indeed it is unlikely that the economic conditions and position will change much in the next three to four budget cycles at least in as far as the municipality's ability to generate its own revenue sources as it is currently heavily reliant on National Transfers. The budget therefore follows a conservative approach to rates and tariffs but also slowly begins to plan in anticipation of improved economic conditions from 2017/2018.

The draft budget for the Jozini local municipality amounts to **R206,417,000** in the 2014/2015 financial year being **R71,451,000** for capital and **R134,966,000** for operating expenditure. The new budget represents an increase of **R27,223,000** from 2013/2014 full year forecast. We have to achieve speedy, effective and efficient service delivery goals and provision of basic services to the poor, the Municipal Manager has hence instituted far more stringent review processes in the SCM processes to ensure that whatever moneys are appropriated for budget processes are indeed spent on what the original budget required? The improvement in capital spend versus the budget can now be clearly evidenced in the current monthly reporting and a further capital expenditure of at least 90% is now forecast for the **2014/2015** financial year.

3.2 CONSOLIDATED OVERVIEW OF THE 2014/2015 MTREF

R Thousand	Budget Adjustment 2013/2014	Budget Year 2014/2015	Budget year+1 2015/2016	Budget Year+ 2016/2017
Total operating Revenue	126,195	163,117	196,551	202,074
Total operating Expenditure	118,943	134,966	146,632	153,660
Surplus/deficit for the year	7,252	28,151	49,918	48,414
Total Capital Expenditure	60,251	71,451	44,677	46,080

There has been a serious concern with regard to the lack of long term planning necessary for Jozini over the next 10 years. Previous plans were essentially short term or even unrealistic and lack depth necessary to move Jozini to the desire state for the future. A decision to review the planning process through the review of the current IDP is currently underway which is going to be a very critical long-term planning tool for the Jozini municipality going forward. To ensure the accuracy and relevance of the financial planning phase, a detailed assessment and evaluation is proposed to examine the current financial standing of the Jozini municipality to ensure that this MTREF is economically and therefore financially sustainable from a practical perspective rather than the often still theoretical approach prevalent in the Local Government Sphere.

Often it is not the figures which are important but the analysis and background understanding that which informs the figures and the trends shown within the local context that actually matter. This is what should inform local policy setting and implementation as opposed to the one size fits all approach.

Despite the current constrained economic conditions that the Jozini local municipality operates under the demands of the all residents also continue to grow. What is coming through profoundly in recent years is that more and more demands for services is coming through to address the current service delivery backlogs facing the municipality rated by the classic legacy of apartheid. This is exactly the constitutional mandate of the local government which required that vigorous approaches need to be taken in distributing the current constrained economic resources to address the existing backlogs and creating better conditions going forward.

Jozini Municipality from a financial perspective is a municipality that remains dependant on grants and shall remain so for the foreseeable future as such until alternative revenue sources are created to enhance the current constrained own revenue sources. Approximately 90% of Council revenue comes from National Transfers there is little scope for cross subsidisation given the limited business sector and therefore increases in tariffs impacts directly upon domestic consumers and hence almost immediately burdens the municipality's cash flow.

Taxation will invariably mean increased non-payment hence the tariffs have only been increased by the proposed 6%.

Jozini Municipality is a 99% rural municipality and most pieces of land is owned by the Ingonyama Trust Board which means that even the rating of properties is constrained within the rural residential properties which generates very little in the form of Property taxes, not only so most residential properties currently being rated were previously not paying property taxes and the implementation of the MPRA 4 years ago did not yield the desired outcome but instead bloated the debtors due to the culture of non-payment from the new categories of rural property owners who were now liable for payment of property tax. There is therefore an obvious mis-match between revenues and service demands

The Jozini Municipality is only going to implement the new valuation roll during the 2014/2015 financial year which gives hope that we will collect more .

4. Revenue Budget 2014/2015

Description R thousand	Current Year 2013/14				2014/15 Medium Term Revenue & Expenditure Framework		
	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
Revenue By Source	17,986	17,973	17,973	17,973	33,211	35,004	36,895
Property rates	—	—	—	—	—	—	—
Property rates - penalties & collection charges	—	—	—	—	—	—	—
Service charges - electricity revenue	—	—	—	—	—	—	—
Service charges - water revenue	—	—	—	—	—	—	—
Service charges - sanitation revenue	—	—	—	—	—	—	—
Service charges - refuse revenue	3,493	4,464	4,464	4,464	5,080	5,380	5,675
Service charges - other	—	—	—	—	—	—	—
Rental of facilities and equipment	869	969	969	969	1,027	1,087	1,147
Interest earned - external investments	4,710	2,710	2,710	2,710	3,983	4,198	4,425
Interest earned - outstanding debtors	3,893	6,031	6,031	6,031	6,357	6,700	7,062
Dividends received	—	—	—	—	—	—	—
Fines	388	423	423	423	296	313	330
Licences and permits	735	835	835	835	500	527	555
Agency services	—	—	—	—	—	—	—
Transfers recognised - operational	89,911	90,061	90,061	90,061	111,119	141,707	144,255
Other revenue	2,098	2,728	2,728	2,728	1,544	1,634	1,730
Gains on disposal of PPE	—	—	—	—	—	—	—
Total Revenue (excluding capital transfers and contributions)	124,083	126,195	126,195	126,195	163,117	196,551	202,074

As can be seen from the table above summaries of Revenue the Jozini Local Municipality is heavily reliant on National and Provincial transfers and generates very little own revenue sources with the property rates being the second highest contributor in revenue sources, this trend is expected to change with during the 2014/2015 financial year when implementing the New valuation roll. With this current trend all municipal departments are reliant on the equitable share allocation for sustainability.

Over the next financial year Council will be embarking upon a large database clean-up and data amalgamation to ensure one system that will house all municipal financial information, so that all systems are brought together and integrated with the GIS for seamless financial and technical reporting and management. This process is the first step towards Council's Revenue Enhancement Programme to be combined with the Second General valuation in terms of the Municipal Property Rates Act. It is anticipated that this process will culminate with the financial

information from the current data survey being undertaken in all financial data being Pastel Evolution and GIS. This will in turn benefit the Standard Charts of Accounts being undertaken at National level and will allow Council to justify future equitable share requests based on property indigent and population information data and statistics.

5. Auditor General

The Municipality has received a qualified audit report in 2 consecutive years and has been able to obtain a unqualified audit in the year 2013/14. Although having an unqualified audit rather than clean audit has absolutely no effect on financial stability or performance of the Council the Jozini Municipality has embraced the concept of clean governance and will attempt to attain a clean audit at the end of the 2013/2014 financial year. A lot is dependent upon the appointment of more, much needed, competent and qualified staff within the Budget and Treasury Office and ultimately the decentralisation to and acceptance of financial responsibility by the various Council Departments in their own right.

As was pointed during the Budget Committee Steering Committee meetings compliance and clean audits require competent and quality staffs at middle management who are IT and financially multi skilled. It does not need clerks, the BTO office comprise mainly of interns performing main line functions and going forward the BTO organisation structure needs to be revised for adequate staffing.

The biggest cost driver in the municipality remains the employee related costs. The budget outcome is actually that and includes the freezing of certain appointments and removal of some posts from the Organizational structure.

6. Budget Summary

Most of the basic information surrounding this year's budget is out in **Table A1 Budget Summary** as per the budget table below.

Financial position							
Total current assets	84,350	84,350	84,350	84,350	59,018	94,492	127,907
Total non current assets	182,988	181,661	181,661	181,661	239,835	270,709	302,241
Total current liabilities	43,738	43,738	43,738	43,738	46,531	38,139	35,795
Total non current liabilities	—	—	—	—	—	—	—
Community wealth/Equity	223,600	222,273	222,273	222,273	252,322	327,062	394,352
Cash flows							
Net cash from (used) operating	59,376	43,718	43,718	43,718	51,590	77,116	76,262
Net cash from (used) investing	(46,645)	(51,324)	(51,324)	(51,324)	(71,451)	(44,867)	(46,281)
Net cash from (used) financing	—	—	—	—	—	—	—
Cash backing/surplus reconciliation							
Cash and investments available	52,760	52,760	52,760	52,760	9,410	41,658	71,639
Application of cash and investments	13,519	15,045	15,045	15,045	29,168	19,580	15,944
Balance - surplus (shortfall)	39,241	37,715	37,715	37,715	(19,759)	22,078	55,695
Asset management							
Asset register summary (WDV)	182,988	181,661	181,661	239,835	239,835	270,709	302,241
Depreciation & asset impairment	1,000	1,000	1,000	11,055	11,055	11,652	12,281
Renewal of Existing Assets	—	—	—	—	—	—	—
Repairs and Maintenance	8,528	11,323	11,323	4,461	4,461	4,813	5,107
Repairs and Maintenance							
Free services							
Cost of Free Basic Services provided	2,000	2,000	2,000	2,000	2,000	2,128	2,264
Revenue cost of free services provided	2,000	2,000	2,000	2,000	2,000	2,128	2,264
Households below minimum service level							
Water:	22	22	22	22	22	22	22
Sanitation/sewerage:	11	11	11	11	11	11	11
Energy:	—	—	—	—	—	—	—
Refuse:	35	35	35	35	35	35	35

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7. Operational expenditure

Expenditure By Type

	Current Year 2013/14				2014/15 Medium Term Revenue & Expenditure Framework		
	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
Employee related costs	32 084	28 911	28 911	28 911	36 285	38 532	41 018
Remuneration of councillors	10 201	10 458	10 458	10 458	11 971	12 677	13 374
Debt impairment	2 000	2 000	2 000	2 000	5 000	5 270	5 555
Depreciation & asset impairment	1 000	1 000	1 000	1 000	11 055	11 652	12 281
Finance charges	–	–	–	–	–	–	–
Bulk purchases	–	–	–	–	–	–	–
Other materials	–	–	–	–	–	–	–
Contracted services	5 853	8 178	8 178	8 178	5 497	5 794	6 107
Transfers and grants	4 391	2 591	2 591	2 591	2 000	2 118	2 234
Other expenditure	57 069	65 806	65 806	65 806	63 458	68 024	70 673
Loss on disposal of PPE	–	–	–	–	–	–	–
Total Expenditure	112598	118943	118 943	118 943	135 266	144386	151 578

The operational budget for the 2014/2015 financial year is **R135,265,513** made of expenditure categories which include Employee Related costs, general expenditure, other expenditure and repairs and maintenance.

8. Capital Expenditure

Vote Description R thousand	Current Year 2013/14				2014/15 Medium Term Revenue & Expenditure Framework		
	Original Budget	Adjusted Budget	Full Year Forecast	Pre- audit outcome	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
Governance and administration	1 850	1 603	1 603	1 603	1 450	53	56
Executive and council	200	200	200	200	250	53	56
Budget and treasury office	500	500	500	500	50	–	–
Corporate services	1 150	903	903	903	1 150	–	–
Community and public safety	1 930	963	963	963	25 701	17 500	–
Community and social services	1 500	23	23	23	25 251	17 500	–
Sport and recreation	–	–	–	–			
Public safety	430	940	940	940	450	–	–
Housing	–	–	–	–			
Health	–	–	–	–			
Economic and environmental services	–	–	–	–	2 497	13 315	33 324
Planning and development	–	–	–	–	330	–	–
Road transport	–	–	–	–	2 167	13 315	33 324
Environmental protection	–	–	–	–			
Trading services	250	280	280	280	28 914	–	–
Electricity	–	–	–	–	27 400	–	–
Water	–	–	–	–	522	–	–
Waste water management	–	–	–	–	–	–	–
Waste management	250	280	280	280	993	–	–
Other	51 541	57 405	57 405	57 405	12 888	13 810	12 700
Total Capital Expenditure - Standard	55 571	60 251	60 251	60 251	71 451	44 677	46 080
Funded by:							
National Government	44 891	36 466	36 466	36 466	40 169	44 677	46 080
Provincial Government							

	–	–	–	–	–	–	–
District Municipality	–	–	–	–	–	–	–
Other transfers and grants	10 680	23 785	23 785	–	–	–	–
Transfers recognised - capital	55 571	60 251	60 251	36 466	40 169	44 677	46 080
Public contributions & donations	–	–	–	–	–	–	–
Borrowing	–	–	–	–	–	–	–
Internally generated funds	–	–	–	23 785	31 282	190	201
Total Capital Funding	55 571	60 251	60 251	60 251	71 451	44 867	46 281

The capital expenditure emphasis for the **2014/2015** financial year remains community infrastructure such as taxi ranks, community centres, multi-purpose centres and roads which is to be funded primarily from the MIG grant and electrification of rural households to be funded from the National electrification grant. Going forward this trend has to change where capital infrastructure is to be balanced between community infrastructure and revenue generating infrastructure as well as investing in carefully managing the existing infrastructure assets through the adequate provision of the repairs and maintenance budget.

9. Local Economic Development

A number of measures are currently underway the most successful being the drive and emphasis by the Supply Chain Policy to fully implement the SCM policy to target local contractors for Council business and having a mandatory 30% component for all major projects subcontracted to emerging businesses.

Council has also introduced an interest waiving initiative for all outstanding debts to encourage payment of outstanding debts by all property categories; however this initiative has sadly not yielded much result but has been extended until the end of the financial year as a last chance to property owners.

10. Financial position

Description R thousand	Current Year 2013/14				2014/15 Medium Term Revenue & Expenditure Framework		
	Original Budget	Adjusted Budget	Full Year Forecast	Pre- audit outcome	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
ASSETS							
Current assets							
Cash	20 686	20 686	20 686	20 686	9 410	6 658	34 364
Call investment deposits	32 074	32 074	32 074	32 074	–	35 000	37 275
Consumer debtors	31 590	31 590	31 590	31 590	49 609	52 834	56 268
Other debtors	–	–	–	–			
Current portion of long-term receivables	–	–	–	–	–	–	–
Inventory	–	–	–	–	–	–	–
Total current assets	84 350	84 350	84 350	84 350	59 018	94 492	127 907
Non current assets							
Long-term receivables	–	–	–	–	–	–	–
Investments	–	–	–	–	–	–	–
Investment property	–	–	–	–	–	–	–
Investment in Associate	–	–	–	–	–	–	–
Property, plant and equipment	182 988	181 661	181 661	181 661	239 735	270 609	302 141
Agricultural	–	–	–	–	–	–	–
Biological	–	–	–	–	–	–	–
Intangible	–	–	–	–	100	100	100
Other non-current assets	–	–	–	–	–	–	–
Total non current assets	182 988	181 661	181 661	181 661	239 835	270 709	302 241
TOTAL ASSETS	267 338	266 011	266 011	266 011	298 854	365 201	430 147
LIABILITIES							
Current liabilities							
Bank overdraft	–	–	–	–	–	–	–
Borrowing	–	–	–	–	–	–	–
Consumer deposits	–	–	–	–	–	–	–

Trade and other payables	39 135	39 135	39 135	39 135	40 238	31 576	28 948
Provisions	4 603	4 603	4 603	4 603	6 293	6 563	6 848
Total current liabilities	43 738	43 738	43 738	43 738	46 531	38 139	35 795
Non current liabilities							
Borrowing	–	–	–	–	–	–	–
Provisions	–	–	–	–	–	–	–
Total non current liabilities	–	–	–	–	–	–	–
TOTAL LIABILITIES	43 738	43 738	43 738	43 738	46 531	38 139	35 795
NET ASSETS	223 600	222 273	222 273	222 273	252 322	327 062	394 352
COMMUNITY WEALTH/EQUITY							
Accumulated Surplus/(Deficit)	223 600	222 273	222 273	222 273	252 322	327 062	394 352
Reserves	–	–	–	–	–	–	–
Minorities' interests	–	–	–	–	–	–	–
TOTAL COMMUNITY WEALTH/EQUITY	223 600	222 273	222 273	222 273	252 322	327 062	394 352

The financial position is set out in Table A6 budgeted Financial Position, where it is projected that Council at the end of the financial year will close with the accumulated surplus of **R222,273,000** the reality of course is that the figure ultimately includes the value of PPE much of which are community assets and cannot be easily turned into cash. You cannot sell a road at the values placed on them. The only realistic figures to look at are those contained in Table A8 cash backed reserves/accumulated surplus reconciliation and specifically the surplus and shortfall figures. Prioritising going forward, this surplus is only moving sideways.it would be excellent if the surplus figure was much higher but the municipality is taking a position that our assets should be on the ground working for the community rather than in the bank providing no service delivery.

Circular 66 issued by National Treasury for the financial year 2013/2014 makes mention however of the fact that the municipality should look at having a cash reserve of three months. We will strive to ensure compliance with the national treasury 3 months guideline going forward.

The collection of outstanding debtors is alarmingly low and requires that far more attention is needed to be paid to minimising debt at an early stage, that is, before it reaches 90 days which will require vigorous debt recovery mechanisms which will include processes such as the debt cleansing exercised being earmarked for the 2014/2015 financial year as well as other iron fist in velvet glove approach to credit control mechanisms. Sadly however, we have had to take the harder approach of handing over more debtors to debt collectors for direction action. This is most especially in regard to assessment rates and charges.

11. Operating expenditure Assumptions

MFMA Circular no 66 has highlighted the following examples of non-priority expenditures that should be eliminated:

- (a) Excessive sponsorship of music festivals, beauty pageants and sporting events, including the purchase of tickets for events for councillors and officials
;
- (b) Public relations projects and activities that are not centred on actual service delivery or are not municipal function e.g. celebrations, gala dinners, commemorations, advertising and voter education;
- (c) LED projects that serve narrow interest of only a small number of beneficiaries or fall within the mandates of other government departments such as the Department of Agriculture;
- (d) Excessive catering for meetings and other events, including the use of public funds to buy alcoholic beverages;
- (e) Arranging workshops and events at expensive private venues, especially ones outside the Municipality as opposed to using the municipality's own venues;
- (f) Excessive printing costs instead of maximising the use of the municipality's website, including providing facilities for the public to access the website;
- (g) Excessive luxurious office accommodation and office furnishings
- (h) Foreign travel by mayors, councillors and officials, particularly study tours;
- (i) Excessive councillor and staff perks such as luxurious mayoral cars and houses, notebooks, IPADS and cell phone allowances and travel and subsistence allowances
- (j) Excessive staff in the office of the Mayor particularly the appointment of political advisors and spokespersons;
- (k) Costs associated with long-standing staff suspensions and the legal costs associated with not following due process when suspending or dismissing staff as well as payment of severance packages or 'golden handshakes' ;
- (l) The use of consultants to perform routine management tasks and the payment of excessive fees to consultants.

National Treasury is also informing councillors, municipal employees and rate and tax payers that the municipality must concentrate their spending effort on services that are meaningful and indulgent. In other words this should be a direct service budget aimed at the people who live in municipalities and not the municipalities themselves.

12. Tariff Implications of the Annual Budget

(a) RefuseTariff

The refuse tariff will be increased by **6%** for both domestic and business consumers.

(b) Minor Tariffs

Minor Tariffs will be increased by **6%** on average unless specifically reflected in the tariff book.

(c) Assessment Rates

The increase in the rate randage will be **6%** for all property categories.

(d) Assessment Rates rebates

The current rebate as per the rates policy will continue to be applicable.

13. Conclusion

The 2014/2015 budget for the Jozini Municipality is in line with the dictates of the National Treasury guidelines and will continue to strive for financial prudence in the management of the financial affairs on day to day basis.

14. SECTION 4- ANNUAL BUDGET TABLES

The intention of this section is two fold

Firstly the following tables form the basis of the Council Resolution approving the draft annual budget tables for the 2014/2015 financial year

Table A1: Budget Summary

Table A2: Budgeted Financial performance (expenditure by standard classification)

Table A3: Budgeted Financial Performance (expenditure by municipal vote)

Table A4: Budgeted Financial Performance (revenue by Source)

Table A5: Budgeted Capital Expenditure for both multi-year and single year appropriations by vote, standard classification by funding.

Total Revenue before Capital transfers and contributions will **increase to R163,116,947** from current year full year forecast of **R126,195,039** .

Employee Costs have increased to **R48,256,368** because of the annual increase of 6.79 % on basic remuneration and the proposed addition of a new department which is Social Development . Council is doing all within its means to strike the balance between the powers and function and salaries through ensuring that it derives value for money with the current staff complement under the supervision of the Municipal Manager at the same time ensuring that this is not at the expense of Service Delivery.

The Increase in **Debt Impairment & Depreciation to R16,054,704** during the 2014/2015 financial year depicts our adoption of prudence.

Secondly

This section represents and explains various tables that must be compiled as required by National Treasury. Some of the tables are variations of theme which will allow the National Treasury to put out macro statistics. Whilst this is good practice, it can become a tad repetitive at the micro or local level. It has therefore been decided not to comment on all the tables.

PART 2 SUPPORTING DOCUMENTATION

15. Section 5-Overview of the annual budget process

(a) Annual Planning Processes

The entire budget process is currently a scarce resource allocation exercise as opposed to an proper planning exercised this is given the constrained economic conditions that the municipality is operating under resulting in absolute dependence on National transfers for sustainability as opposed to a more viable approach of own revenue sources. The current operating budget is driven totally on the premise of cash flow and consumer affordability. The cash basis which we follow means we cannot cut salaries and other essential expenditure priorities which makes the municipality to function. We have sought to prioritise repairs and maintenance to ensure adequate maintenance of infrastructure.

(b) Budget process

The budget process followed the requirements of the MFMA. A schedule of key deadlines was prepared for tabling in council by the Mayor prior to the end of August 2013 as required followed by strategic planning session by council and senior management in **November 2013** and budget steering committee meetings to consider the draft budget submissions and make necessary inputs.

The draft budget was tabled in Council on the **28th March 2014**. A period of consultation then to be followed as per the dictates of sections 22 and 23 of the MFMA. At the culmination of the process the Mayor must consider any representations and decide if any amendments should be made to the budget.

The Municipality's budget is prepared on a three year basis, this takes into account the National and Provincial three year allocations to the municipality and to ensure optional financial planning and provide for seamless service delivery. Additionally the National Treasury Budget Circulars request Local government to highlight their projected increases over the next 3 years to give some certainty to consumers.

The municipality will set our measurable performance objectives to link the financial inputs of the budget to service delivery on the ground. This will be done in the form of quarterly service delivery targets and budget implementation plan (SDBIP). The plan will be agreed by the Mayor within 28 days of approval of final budget and will form the basis for the Municipality's monitoring.

16. Section 6-Overview of Alignment of the Annual Budget with the IDP (a)

Introduction

Municipalities are required to develop the five year IDP which must be reviewed annually. It is also required that such plans must find expression in the budget. The IDP and the budget are inter-related documents. The dip is the budget in other words. Just as the budget is the IDP in figures. Comprehensive efforts are currently being made to ensure that the two documents are closely link through the review and revision process and it is anticipated that the final budget will represent a much more aligned IDP and budget. The attached IDP was subsequently reviewed to respond to the needs and challenges of the Jozini Community

(b) Key Challenges facing Jozini Local municipality

Jozini municipality is faced with a complex set of development challenges; our outlook is facing local government but of course with some our own peculiarities:

i. Sustainable Infrastructure Investment

The continued growth of the town has put a lot of pressure on infrastructure. That growth which cannot simply be stopped will continue at a rate which the municipality is battling to match financially.

ii. Focused development of the previously disadvantaged

The poorest communities in our areas are subjected to the worst living conditions and the municipality has committed itself towards poverty alleviation. Programmes with clear funding intentions are being designed for that purpose.

iii. Integrated Town Establishment and Development

Access to land, still remains the challenge Council needs to devise creative strategies to deal with this matter. In line with that Council has engaged other spheres of government i.e.COGTA, Department of Public Works and Department of Transport

iv. The Challenge of promoting Economic Development

There remains a great need for the diversification of the local economy through facilitating the emergence of underperforming sectors is an important catalyst for economic development, which will focus on mainstreaming of previously disadvantaged people. Crucial to this is the need to work in partnership with relevant stakeholders in boosting employment and fostering SMME's in our recently revised SCM policies and strategies that have been tailored to support this challenge

v. The challenge of ensuring municipality financial viability

The municipality lives and dies by the its ability to balance needs with resources and Jozini LM cannot currently generate sufficient resources to properly satisfy all its residents and stakeholder needs. Therefore those needs will have managed and dealt with in a financially sustainable manner. Promises of quick and easy solutions are simply lies.

vi. The challenge of municipal transformation and institutional development

Staff development is crucial to meet the challenges of Jozini and the requirements of local government. The Jozini municipality does not have the luxury of urban type of town arrangement given its geographical distance from both Primary and Secondary Cities

and therefore our ability to attract suitably qualified and quality staff is severely limited. This therefore requires that the Municipality must offer slightly higher than the competitive salary packages to attract suitably qualified personnel which tend impact negatively on the salary threshold of the personnel.

vii. Public Participation

Public Participation is an important feature of any democratic environment, although the legislative environment provides adequately for public participation primarily through the ward committee system, the municipality is challenged to ensure that it continues to build on its successes over the last few years.

17. Section 7: Measurable Performance Objective an Indicators

Indicators and ratios

The Key financial indicators and ratios are disclosed in Supporting Table SA8 performance indicators and Benchmarks

18. Section 8: Overview of Budget Related policies

The detailed policies are not included in this section of the budget documentation see annexure A to this document for full policies. Policies are available at the Council offices

for viewing as well as on the municipal website. This section gives a broad overview of the budget policy framework and highlights the amended policies to be approved by Council resolutions during the final budget.

Name of policy	Type	Date of Council Adoption	Purpose /Basic areas covered by Policy	Summary of proposed changes for adoption in May
REVENUE				
Tariff	Amended	30 May 2014	Setting criteria for establishing	Introduction of various tariffs
Property Rates	Amended	30 May 2014	Setting criteria for establishing	Minor Definitional
Credit Control & debt Collection	New Policy	30 May 2014	Principles and guidelines to be followed with	Minor Definitional
Indigent support & Social rebate	New Policy	Not adopted	Guidelines and procedures for the subsidisation of	To be developed
OTHER FINANCE RELATED POLICIES				
Banking & Investment	Amended	30 May 2014	Guidelines of procedures to be followed when	Minor definitional
Budget & Budget virement	Amended	30 May 2014	Sets our rules and procedures to be followed in the compilation and	Minor Definitional
Supply Chain Management	Not Amended	30 May 2014	Dictates procedures for the procurement of	N/A
Funding and reserves policy	New Policy	Not adopted	Dictates procedures and sets guidelines for financial viability	To be developed
Telephone Policy	New Policy	30 May 2014	Sets out rules and procedures for telephone and cellphone	
Subsistence & Travelling	New Policy	30 May 2014	Sets out rules and procedures for S&	
Bursary Policy	New Policy	N/A	Sets out rules and procedures for management of	New Policy to be developed
Donations Policy	New Policy	N/A	Sets out rules and procedures for donations	New Policy to be developed

19. Section 9- Overview of Budget Assumptions

19.1 Budget Assumptions

Budgets are prepared in an environment of uncertainty. To prepare meaningful budgets, assumptions need to be made about internal and external factors that could influence the budget. The revised headline CPI forecasts from National Treasury for **2014/2015 and 2015/2016 are 5.4% and 5.4%** respectively. The growth parameters apply to tariff increases, property rates, user and other charges raised by the municipality to ensure that all spheres of government support national macroeconomic policies.

National Treasury has announced that local increases must be in line with the CPI forecasts and that salary increases of only **6.79%** should be budgeted for. NT has also communicated that any rate or tariff increase **above 6%** must be fully communicated to the community.

20. Section 10: Overview of Budget Funding

Section 18(1) of the MFMA states that the annual budget may only be funded from

- ▢ Realistically anticipated revenues to be collected
- ▢ Cash backed accumulated funds from previous year's surpluses not committed for other purposes; and
- ▢ Borrowed fund, but only for the capital budget

Achievement of this requirement in totality effectively means that Council has balanced its budget by ensuring that budgeted outflows will be offset by a combination of planned inflows. Refer to Table 8: Cash backed /accumulated surplus reconciliation and supporting table SA10: Funding Measurement.

Fiscal Overview of Jozini municipality

Jozini municipality has over the recent years remained relatively financially stable. Continuous efforts are made to comply fully with the MFMA and other legislations directly affecting financial management. The municipality has for 2 years in a row received a qualified audit opinion primarily due to asset register related queries, the switch over to GRAP has had huge ramifications not least amongst the professional staffing at the local government level. Jozini municipality cannot afford salaries that are prerequisite to GRAP due to the inability to attract the suitably qualified accountants at the skill required by GRAP as well as given the current limitation as it relates to the geographical location of our municipality. It is therefore highly unlikely that qualified accountants are going to respond given the current salaries that we offer, However we remain committed to muddling through these deep waters the best way we know how in order to respond to the concerns raised by the AG regarding the skills levels of the BTO.

21. Section 11- Expenditure on Allocations and Grant Programmes

Disclosure on expenditure on allocations and grant programmes is done by way of Supporting Table SA 18: Transfers and grant receipts, supporting table SA19:Expenditure on transfers and grant programme and supporting Table SA20: Reconciliation of transfers, grant receipts and unspent funds

22. Section 12- Councillors Allowances and Employee Benefits

Refer to supporting Table SA22: Summary councillor and staff benefits and supporting Table 23: Salaries, Allowances & Benefits for further details. The salary increase for 2014/2015 for Manager and Staff is budgeted at 6.79% .

23. Section 14: Monthly Targets for Revenue, Expenditure and Cash Flow

Disclosure on monthly targets for revenue, expenditure and cash flow is made in Annexure 2 in the following supporting tables.

Monthly operating budget revenue and expenditure projections

Supporting Table SA25: budgeted monthly revenue and expenditure reflects consolidate projections of revenue by source and expenditure by type for the budget year broken down per month for the budget year, and shown in total for the following two years.

Supporting Table SA26: Budgeted monthly revenue and expenditure (municipal vote) and Supporting Table SA27 : Budgeted monthly revenue and expenditure (standard classification) reflects revenue and expenditure broken down per month for the budget year, shown in total for the following years

Monthly Capital budget revenue and expenditure

Supporting table SA28: Budgeted monthly capital expenditure (municipal vote) and supporting table SA29 budgeted monthly capital expenditure standard classification show capital expenditure broken down for the budget year and shown in total for the following two years.

Monthly Cash flow projections

Supporting table SA30: Budgeted monthly cash flow sets out receipts by source and payment by type for both operating and capital broken down for the budget year and shown in total for the following two years.

Budgeted households accounts

Supporting Table SA14: Household bills compiles the data for the monthly budgeted account for household income analysis per small and large household.

Property Rates information

Supporting Table SA11: Property rates summary contains the Property rates summary with all statistic data and supporting tables SA12 and SA13 Property rates by category current and budget year reflect the current and budgeted year's expected data for property Rates by Category.

24. Section 15: Service Delivery & Budget Implementation Plan

Adoption of the SDBIP

In terms of section 53 (1)(c) (ii) of the MFMA the SDBIP must be approved by the Mayor within 28 days after the final approval of the budget and must contain monthly projections of income and expenditure and quarterly projections of measurable performance objectives. Annual targets are still to be confirmed and these will be included in the final budget documentation and SDBIP.

25. Section 16: Legislation Compliance Status

The disclosure on legislation compliance must provide a brief summary of the status of the implementation of legislation applicable to municipalities including progress made or delays experienced in implementation, this will be done in detail during the final budget. But in a nutshell the following are pieces of legislation that we are required to comply with

- Municipal Finance Management Act 56 of 2003
- The Division of Revenue Act 2010 and Provincial Budget Announcements
- The Municipal Systems Act 32 of 2000 and Municipal Systems Amendment Act no 44 of 2003.

26. Section 17: Other Supporting documentation

Other supporting documentation includes policies, IDP and the performance management framework.

27. Section 21: municipal manager's quality certification

This section includes the Municipal Manager's quality certificate which has been signed by the Municipal Manager certifying the budget and the related budget documentation.